

Updates from the Program Manager...

I hope you enjoy this edition of the newly revised newsletter. I want to remind everyone that this year's Fall Investment Challenge Conference and Job Fair will be held at the Gaylord Opryland Hotel in Nashville, TN, on October 23rd and 24th. We look forward to seeing you there!

During the month of July, the Investment Challenge Program portfolio outperformed the S&P 500 by 30 basis points, with the ICP returning a positive 2.1% and the benchmark returning a positive 1.8%. Year-to-date, the ICP portfolio is outperforming the S&P 500 by 70 basis points, with the ICP returning a positive 14.4% and the benchmark returning a positive 13.7%.

Fundamentally, the entire portfolio is positioned as a large capitalization, Value investment style, with a P/E ratio of 17.67 and a P/B ratio of 3.07. The portfolio currently has a Beta of 0.93. Overall, this has worked to the portfolio's advantage since the Barra Value Index is outperforming the Barra Growth Index by 210 basis points so far this year. On a one month basis, the Barra Value Index is outperforming the Barra Growth Index by 110 basis points.

	July Performance	YTD Performance	Rolling 3 Year Performance
1	6.7	1	22.6
2	6.4	2	22.2
3	5.1	3	20.6
4	4.7	4	19.2
5	3.9	5	18.7
6	3.2	6	16.7
7	2.9	7	16.3
8	2.8	8	16.0
9	2.2	9	15.4
10	2.0	10	15.0
11	2.0	11	14.5
12	2.0	12	14.2
13	1.8	13	14.1
S&P 500	1.8	14	13.7
14	1.5	S&P 500	13.7
15	1.4	15	13.5
16	1.4	16	13.5
17	1.4	17	13.4
18	1.2	18	13.0
19	0.9	19	12.7
20	0.8	20	12.1
21	0.8	21	11.0
22	0.4	22	11.0
23	0.3	23	10.7
24	0.1	24	10.4
25	-0.8	25	9.9
26	-0.9	26	7.9

Market Opportunities

It appears we are currently at a point in the market where the worst is finally behind us. As far as investing goes, it seems small-cap stocks are significantly outperforming this year. The S&P 600 small-cap index is up approximately 17% this year as compared to the S&P 400 mid-cap index, which is up nearly 15%, and the S&P 500 large-cap index, which is up about 14%. The ICP guidelines limit the investment in small-capitalization stocks to 35% of the entire portfolio's value. Also, the average market capitalization of the portfolio is expected to remain above \$10 billion and companies must have a minimum market capitalization of at least \$250 million. This being said, there are still plenty of opportunities to take advantage of small-capitalization stocks.

Also, many investment opportunities can be found within a portfolio's sector allocation. Shown below is a chart which details the current sector allocations of the ICP and the S&P 500.

Sector	Percent of ICP	Percent of S&P 500	Under/Over Weight
Financials	19.84	20.54	-0.70
Health Care	15.29	15.04	0.25
Utilities	1.35	3.07	-1.72
Consumer Discretionary	20.48	11.00	9.48
Consumer Staples	12.50	11.86	0.64
Energy	3.36	5.37	-2.01
Information Technology	12.86	16.42	-3.56
Materials	1.71	2.71	-1.00
Telecommunication Svcs.	1.51	3.94	-2.43
Industrials	11.10	10.05	1.05
	100.00	100.00	0.00

As you know, Sector Weighting is one of the four component parts of the Net Management Effect which plays a role in defining the portfolio's overall performance. From the chart above, the portfolio's largest allocation lies in the Consumer Discretionary sector. Year-to-date, this sector has contributed over 18% to the S&P 500's performance and 21% to the ICP portfolio's performance. Information Technology and Financials sectors have also performed well this year, returning a positive 18% and a positive 13%, respectively. Incidentally, the ICP portfolio is underweight in both of these sectors.

A good website to visit for index and sector performance information is <http://stockcharts.com/charts/performance>. By choosing a predefined chart, you can get return information on S&P Market Capitalization and S&P 500 Return Information broken out by sectors.